

**POLYETHYLENE RETAIL CARRIER BAGS
FROM INDONESIA, TAIWAN, AND VIETNAM**

INVESTIGATION NOS. 701-TA-462 AND 731-TA-1156-1158 (FINAL)

HEARING BEFORE THE INTERNATIONAL TRADE COMMISSION

MARCH 16, 2010

STATEMENT OF ANTHONY RIZZO

Good morning. My name is Anthony Rizzo. I am the Vice President for Sales for Hilex Poly Co. LLC. Including my tenure with Hilex Poly, I have 14 combined years of experience with plastic film and flexible packaging. Prior to sales management, I spent several years in managerial accounting positions within the packaging industry and have extensive experience in cost accounting and profitability management. In my current role with Hilex, I am responsible for developing Hilex's marketing program, supervising our analyses of the market, supervising our sales force, and overseeing all pricing decisions. I personally manage several strategic account relationships, and I am often directly involved in sales negotiations with some of our major customers.

In the PRCB market, price is overwhelmingly the most important factor in purchasing decisions. That is true of many products made from plastics, and it is especially the case with this product, because the retailer does not charge its customers for it. Retailers see the product as providing little or no value added. This makes retailers very sensitive to the cost of the product. Because the product

is given away, they would prefer that the cost of the product be as close to zero as possible.

In addition, the domestic product and imports from Indonesia, Taiwan, and Vietnam are sold through the same channels of distribution. In fact, our product sits side-by-side with the subject imports in the same distribution warehouses across the country. This is true even for products that we sell to large retailers. When we make such sales, we negotiate the price with the retailer but, more often than not, we actually ship the product to a distributor. There are several very large distributors, such as Bunzl, that ship a bundle of different products to the retailer that includes PRCBs and other items like register tape. A high percentage of imported PRCBs are sold in exactly the same way. That is, even when the sale is to the end user, the product is sent to a distributor, where it is warehoused and then packaged in a bundle with other products for shipment to the retailer.

Thus, price is viewed as critical. So let me talk a little bit about the prices of the imports from the countries under investigation. The prices that Hilex and other U.S. producers charge are grounded in reality -- they move up and down with changes in the price of polyethylene resin. But we have observed that prices of imports from the countries under investigation at times bear little or no relationship to changes in raw material prices. We find that, in bid competitions, the initial import price is set at very low levels. We have to lower our prices to be

competitive. Some times, importers will also guarantee pricing for periods of time as an additional incentive. This is often problematic for us, because it 'empowers' buyers to seek fixed pricing despite volatile resin markets.

The importers' pricing strategy has hurt us time and time again. In some cases, it became clear to us that low import prices were about to cause us to lose the business of customers that we regarded as strategic. So, in those instances, we were compelled to dramatically lower our prices as a defensive measure. In other cases, we decided that we simply could not afford to match the import price -- and so we lost that business.

In many instances, we are not certain of the source of the imports, but we have reason to believe that they are largely from one of the subject countries. There are a couple of reasons for this.

First, the country of origin of the imported bags is typically not marked on the bags themselves. When the prior case was before the Commission, I understand that it was common for the country of origin to be identified on the imported bags. When antidumping duties were imposed on imports from China, Malaysia, and Thailand, the country of origin markings on the bags became far less common. Instead, the country of origin is now typically set forth somewhere on the carton in which the bags are sold. We generally do not have access to these cartons, but occasionally we obtain one. The one I have here was obtained on the

West Coast. It contains bags made for Northgate. If you turn the box upside down and strain your eyes, you will see small type on the bottom of the box, stating "Made in Indonesia." This example shows you why it has become more difficult to identify the country of origin of imported bags that we have either lost sales to or had to lower our price against. These bags were made by **Super EXIM Sari**, and sold to Northgate through **Master Packaging**.

The second reason we have had some difficulty in reporting the specific country to which we lost the sale is because, in many instances, we have lost sales to an importer called Spectrum. Spectrum supplies bags from each of the subject countries. Headquartered in Cerritos, California, Spectrum has three warehouse/distribution centers in the United States. They are located in Cerritos CA, Edison NJ, and Southaven MS.

We compete against Spectrum in all areas including supermarket and grocery, retail, mass merchants, and home goods. We compete head-to-head with Spectrum for all of our larger accounts, and many of the intermediate and smaller accounts. Spectrum used to import largely from the countries included in the prior case, but it shifted a large share of its sourcing to Indonesia, Taiwan, and Vietnam in order to avoid antidumping duties on those other countries.

Spectrum is clearly a major downward price leader in the U.S. market. Its sales strategy is to offer the lowest price -- end of story.

We have lost many sales to Spectrum. We have also had to lower our prices many times to compete with Spectrum. Here are several sample bags evidencing head to head competition with Spectrum on identical bags for the same customer: **Walmart, Hy-Vee, Cub Foods, and Busches.**

In particular, we compete against Spectrum and other importers of subject products in internet bid competitions. These include reverse auctions and other internet bids that are managed by a company that specializes in conducting these bid events.

Internet bids account for a large share of U.S. consumption of PRCBs. Walmart, for example, which represents about 20 percent of the U.S. market, only purchases through internet bids. Overall, we estimate that approximately 75% of U.S. consumption of PRCBs is supplied through internet bid events.

The Prehearing Report notes that the supplier country of the lowest bidder was not the supplier country of the winning bid in 15 of 20 reported bidding events. I want to emphasize, however, that in a typical auction, there may be several low bids within a tiny price range. The customer may accept the second or third lowest bid where the price difference is negligible. It will generally not do so where the price difference is meaningful. Even where Hilex wins the bid without bidding the very lowest price, we must be very close to the lowest price, which is generally the import price.

In one sourcing event at Kohl's, where we were the incumbent supplier, we were told by Kohl's that while we were viewed as a strong supplier both in quality and service, they could not ignore the savings being offered by competitors. We later learned that the customer was referencing imports from Spectrum. The customer contended that along with lower product pricing, the import competitors were offering financial incentives (prebates) in addition to fixed pricing. Again, given the strategic importance of this account, we considered all options. However, upon a comprehensive financial discussion, we determined that meeting the competitive offer would be impractical. We then lost 25% of our volume to Kohl's as a result of that decision. Subsequently, when we competed to try to regain our share of this business, we failed to win back any of the volume, because we could not undercut the price of the incumbent import supplier.

Consistent with the information provided in our questionnaire, one particular auction exemplifies the practice in which Spectrum continually applies downward price pressure that is not aligned with the market. In 2008, we participated in a wide scale auction coordinated by a sourcing group representing 23 different buyers. In this particular case, we were the incumbent on a large portion of the business. We were forced to reduce prices on key pieces of business by approximately 10%, representing approximately \$2.2 mil on \$22 mil of bag sales at previous price levels. What is more troubling is that this business had been won

by Hilex in the marketplace several years earlier where we were deemed the lowest cost supplier.

Hilex has clearly benefited from the filing of our petition in March of 2009. For example, we have regained the ability to compete at certain customers where we previously could not compete. In mid-2009, we won a substantial order that had previously been supplied by Spectrum. The buyer told us that it moved a significant amount of sourcing to the United States because the impact of antidumping investigations has limited the amount of available supply that is not subject to duties.

Thank you.